

AD-A052 380

DEFENSE SYSTEMS MANAGEMENT COLL FORT BELVOIR VA

F/G 5/1

FINANCIAL MANAGEMENT AS PRACTICED BY THE AIR FORCE HIGH ENERGY --ETC(U)

NOV 77 J T JANICKE

UNCLASSIFIED

NL

1 OF 1
ADA
052380

RECORDED

END
DATE
FILED
5 -78
DDC



AD-A052380

1

DEFENSE SYSTEMS

MANAGEMENT COLLEGE

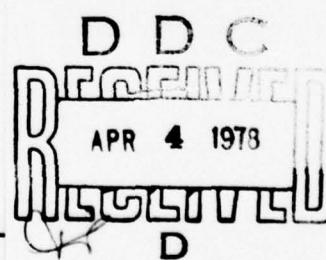


PROGRAM MANAGEMENT COURSE INDIVIDUAL STUDY PROGRAM

FINANCIAL MANAGEMENT AS PRACTICED BY THE
AIR FORCE HIGH ENERGY LASER PROGRAM

STUDY PROJECT REPORT
PMC 77-2

Jerome Thomas Janicke
Major USAF



FORT BELVOIR, VIRGINIA 22060

DISTRIBUTION STATEMENT A

Approved for public release;
Distribution Unlimited

REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM																		
1. REPORT NUMBER	2. GOVT ACCESSION NO.	3. RECIPIENT'S CATALOG NUMBER																		
4. TITLE (and Subtitle) FINANCIAL MANAGEMENT AS PRACTICED BY THE AIR FORCE HIGH ENERGY LASER PROGRAM		5. TYPE OF REPORT & PERIOD COVERED Study Program Report 77-2																		
7. AUTHOR(s) JEROME THOMAS JANICKE		6. PERFORMING ORG. REPORT NUMBER																		
9. PERFORMING ORGANIZATION NAME AND ADDRESS DEFENSE SYSTEMS MANAGEMENT COLLEGE FT. BELVOIR, VA 22060		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS																		
11. CONTROLLING OFFICE NAME AND ADDRESS DEFENSE SYSTEMS MANAGEMENT COLLEGE FT. BELVOIR, VA 22060		12. REPORT DATE 1977-2																		
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)		13. NUMBER OF PAGES 38																		
		15. SECURITY CLASS. (of this report) UNCLASSIFIED																		
		15a. DECLASSIFICATION/DOWNGRADING SCHEDULE																		
16. DISTRIBUTION STATEMENT (of this Report) UNLIMITED																				
<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td colspan="2">DISTRIBUTION STATEMENT A</td> </tr> <tr> <td colspan="2">Approved for public release; Distribution Unlimited</td> </tr> </table>			DISTRIBUTION STATEMENT A		Approved for public release; Distribution Unlimited															
DISTRIBUTION STATEMENT A																				
Approved for public release; Distribution Unlimited																				
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)																				
<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td colspan="2">ACCESSION NO.</td> </tr> <tr> <td>NTIS</td> <td>White Section <input checked="" type="checkbox"/></td> </tr> <tr> <td>DOC</td> <td>Buff Section <input type="checkbox"/></td> </tr> <tr> <td colspan="2">UNANNOUNCED</td> </tr> <tr> <td colspan="2">JUSTIFICATION.....</td> </tr> <tr> <td colspan="2">BY.....</td> </tr> <tr> <td colspan="2">DISTRIBUTION/AVAILABILITY CODES</td> </tr> <tr> <td>DIST.</td> <td>AVAIL. AND/OR SPECIAL</td> </tr> <tr> <td>A</td> <td></td> </tr> </table>			ACCESSION NO.		NTIS	White Section <input checked="" type="checkbox"/>	DOC	Buff Section <input type="checkbox"/>	UNANNOUNCED		JUSTIFICATION.....		BY.....		DISTRIBUTION/AVAILABILITY CODES		DIST.	AVAIL. AND/OR SPECIAL	A	
ACCESSION NO.																				
NTIS	White Section <input checked="" type="checkbox"/>																			
DOC	Buff Section <input type="checkbox"/>																			
UNANNOUNCED																				
JUSTIFICATION.....																				
BY.....																				
DISTRIBUTION/AVAILABILITY CODES																				
DIST.	AVAIL. AND/OR SPECIAL																			
A																				
18. SUPPLEMENTARY NOTES																				
19. KEY WORDS (Continue on reverse side if necessary and identify by block number) SEE ATTACHED SHEET																				
20. ABSTRACT (Continue on reverse side if necessary and identify by block number) SEE ATTACHED SHEET																				

DEFENSE SYSTEMS MANAGEMENT COLLEGE

STUDY TITLE:

Financial Management As Practiced By The
Air Force High Energy Laser Program

STUDY PROJECT GOALS:

To broaden the data base associated with the funds management
of Advanced Development Programs

STUDY REPORT ABSTRACT:

This presentation discusses the budget execution in an Advanced Development program, the Air Force High Energy Laser Program. The discussion centers on three areas, the funds management of the total program allotment for a given fiscal year, establishment of the program funding structure, and the evolution of the internal funds management of this particular program.

The first section addresses the difficulty associated with tracking the financing requirements for a most dynamic Advanced Development program. The unique profile of required funds versus available funds is shown. The discussion, then, centers on the management actions that provide the best technical achievement in a restricted funding environment.

The funding structure section discusses the importance of financial interface between the program office and the finance and accounting system and the importance of one reporting system throughout the Department of Defense.

The last section addresses the selling of funds management to the technical management, the handling of internal budget reviews, the documentation of these reviews, and the payoffs.

The appropriate section in the taxonomy of Defense Systems Acquisition Management and Inventory of Official Acquisition Management Documents for this presentation is 10.06.02.03, Budget Execution.

NAME, RANK, SERVICE

JEROME T. JANICKE, MAJ, USAF

CLASS 72-2

DATE Nov 77

FINANCIAL MANAGEMENT AS PRACTICED BY THE
AIR FORCE HIGH ENERGY LASER PROGRAM

Individual Study Program
Study Project Report
Prepared as a Teaching Paper

Defense Systems Management College
Program Management Course
Class 77-2

by

Jerome Thomas Janicke
Major USAF

Nov 1977

Study Project Advisor
LTC Porter Venn

This study project report represents the views, conclusions and recommendations of the author and does not necessarily reflect the official opinion of the Defense Systems Management College or the Department of Defense

EXECUTIVE SUMMARY

This presentation discusses the budget execution as practiced by the Air Force High Energy Laser Program. The presentation has five areas, the Introduction, Funds Management (Total Program), Program Funding Structure, Funds Management (By Task), and the Summary.

The Introduction explains the uniqueness of this program while stressing the universal application of the technique inherent in the funds management as practiced. The importance of this function is obvious. Program managers must understand and practice funds management. The Program manager has, however, great flexibility in establishing and exercising funds management for any program.

The second section discusses a very complexed chart that is the funding profile of requirements versus available resources. This chart is for this program but every program has a similar chart. The key point is that the program manager must use his profile to make funding decisions if the maximum technical effort is to be achieved from the allotted funding.

The third section covers the necessity of establishing an interface with the Accounting and Finance Office that will be servicing the Program Office. There is not a set format for the tracking of funds, therefore, it is essential that the best accounting system be formulated for a given program and the Program Office personnel must insure that this happens. The Program Office personnel must also work to maintain only one accounting system for funds allocation as reported by higher headquarters. Separate systems will lead to disasterous inconsistencies in the funding history.

The Funds Management (By Task) section discusses the mechanics of the internal breakout of funds. The key to the success of this program is the strong control and the direct feedback. Everyone is kept informed throughout the funding cycle and this is the lifeline of the funds management function.

Finally, the Summary ties together all the funds management activity for this program. It summarizes the key issues of strong funds management and reiterates the flexibility available in establishing the funds tracking system. Any successful system should include direct feedback throughout the organization and this point is reinforced. The closing remark stresses again the need for a strong funds management activity and the resulting satisfaction for a job well done.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	ii
<u>Section</u>	
I. INTRODUCTION	1
II. FUNDS MANAGEMENT (TOTAL PROGRAM)	4
III. PROGRAM FUNDING STRUCTURE	19
IV. FUNDS MANAGEMENT (BY TASK)	24
V. SUMMARY	32

SECTION I

INTRODUCTION

- BACKGROUND INFORMATION
- IMPORTANCE FACTOR
- PRESENTATION OBJECTIVES

INTRODUCTION

• Background Information

The lessons learned by the personnel responsible for the evolution of the funds management system for the Air Force High Energy Laser Program are recorded to aid in the understanding and application of viable techniques which can assist any funds management program. This program has many unique features which greatly reduces the work-load involved with tracking program dollars when compared to other major programs with multiyear dollars and the resulting headaches. Albeit, the control techniques developed for this program can enhance the program management of any program.

A sidelight worthy of note is the identification of outyear funding requirement in the Five Year Defense Plan (FYDP). The Service does not require a "bottom up" cost estimate from this program for future technical activities for the third, fourth, or fifth year of the FYDP. The outyear numbers result from negotiations between DDR&E and the Service. This program is very dynamic and the "bottom up" cost estimates are only credible for about two years into the future. Other programs may require much more extensive cost estimates from the program office.

The emphasis of this program is to achieve the maximum understanding possible of this new technology from the allocated resources. This has driven the funds management personnel to provide greater flexibility for the Program Manager so that each year the most critical technical issues can be addressed. The tracking techniques, therefore, are integrated with work packages so that changes are immediately reviewed

and the resulting revision immediately coordinated throughout the organization.

• Importance Factor

Program Managers get fired for ineffective funds management.

In this time of scarce resources, Program Managers must insure that any request for financial assistance is not the result of poor financial management. The Program Manager may be forced to request help because of technical difficulties. However, good financial management may provide the funding resource to cover a technical disaster by internal funding adjustments and eliminate the need for additional funding support and the associated headaches.

• Presentation Objectives

This presentation provides insight into the problems associated with the funds management activity and the many controls that make the task difficult. In addition, this presentation discusses the great flexibility that acts as a counterbalance allowing the Program Manager to tailor the funds management activity to support the program requirements. The importance of internal communication is discussed and closing remarks highlight the Program Manager's responsibility.

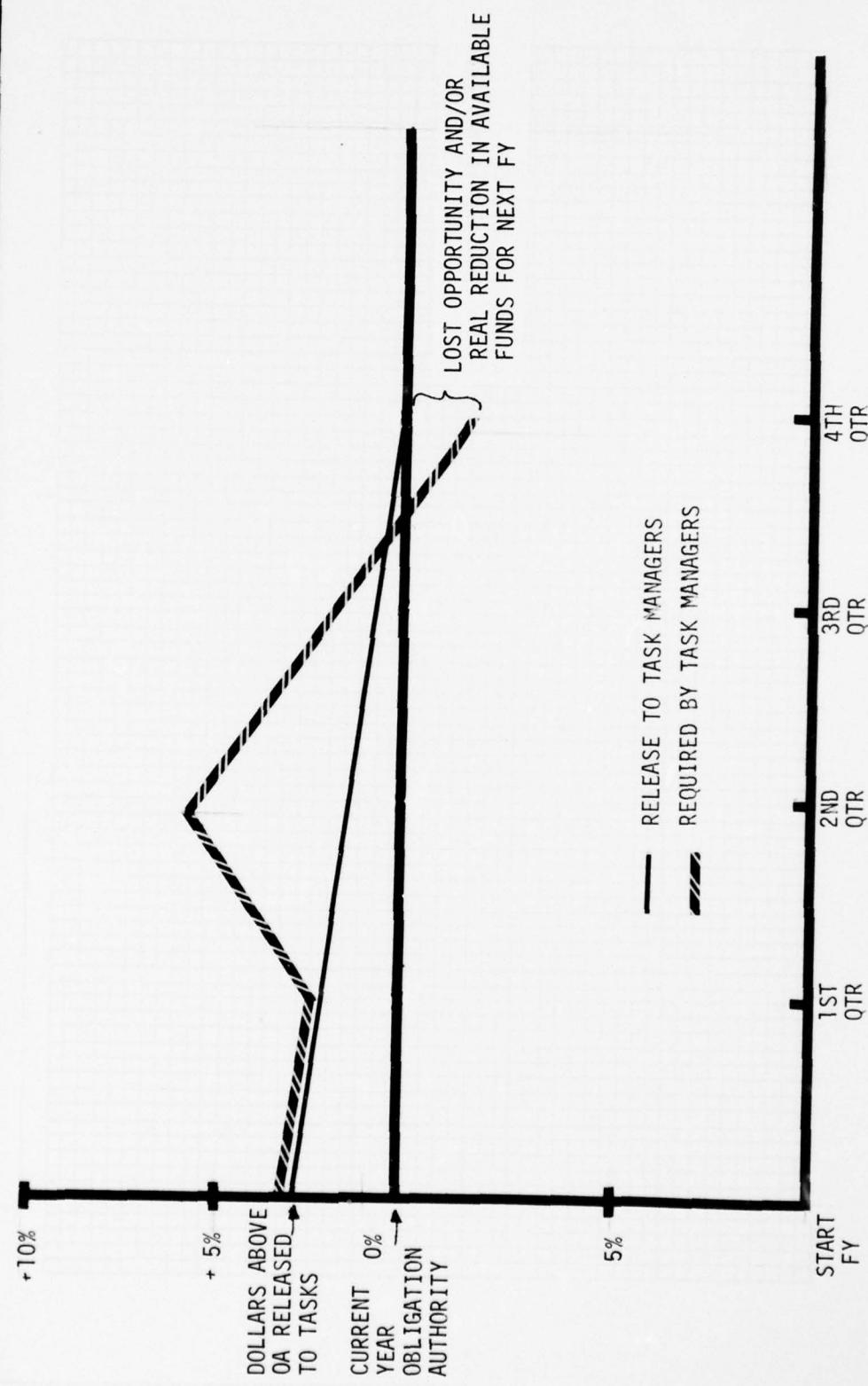
SECTION II

FUNDS MANAGEMENT (TOTAL PROGRAM)

- PROGRAM DOLLARS
- RELEASE ABOVE AUTHORIZED FUNDING LEVEL
 - Award Fee
 - Program Decisions
 - Test and Evaluation Funding
- FIRST QUARTER PERFORMANCE
 - On-Going Contracts
 - New Starts
- SECOND QUARTER PERFORMANCE
 - Pessimistic Attitude
 - Good Data on New Starts
 - Holiday Season
- PROGRAM MANAGER'S OPTIONS
 - Delay New Starts
 - Tighter Controls
 - Slow Down
 - Ask For Help
- REST OF THE YEAR
 - Reappearing Dollars
 - Lost Opportunity
 - Lost Dollars



TYPICAL REQUIREMENTS PROFILE AND CUMULATIVE TASK BUDGET PROFILE VERSUS
AVAILABLE RESOURCES (PROGRAM BUDGET/OBLIGATION AUTHORITY)



FUNDS MANAGEMENT (TOTAL PROGRAM)

• Program Dollars

This section discusses funds management from the program level. The problems are, therefore, directed at the Program Manager and how he manages his total budget, Obligation Authority. To start this section, the first topic addresses the identification of the funding resources. The resource line is shown as being constant throughout the year. (See p. 5) This is seldom the case. One year the Obligation Authority was increased by 1.5 million dollars three weeks before the end of the fiscal year (FY). The Program Manager was aware that the program stood a good chance of getting the extra funding during the last three months of the year. He also knew it would be impossible to obligate the funds if he waited until the dollars were formally released. He, therefore, took a chance and authorized the work prior to the funds being released so that .8 million dollars had already been spent when the actual increase was announced. He could possibly have stopped enough funding actions to cover the .8 million had the additional funding not been authorized but the disruption to his program would have been severe. The point here is that Program Managers must make difficult decisions centering on the program Obligation Authority.

• Release Above Obligation Authority (See p. 5)

In this program the Program Manager releases funds totalling more than the program Obligation Authority to the Task Managers. (The Program Manager has divided the program into 20 tasks and each task has a Task Manager.) There are many reasons for doing this:

RELEASE ABOVE AUTHORIZED FUNDING LEVEL

- AWARD FEE
- PROGRAM DECISIONS
- TEST AND EVALUATION FUNDING

. Award Fees - A program may have large award fee pools. The budget will provide for 100 per cent funding of award fees but it is a reasonable assumption that not all of the different award fee periods will result in the award of 100 per cent for all the contracts.

. Program Decisions - The program may have several decision points during the course of the year. The most expensive course is always budgeted but it is reasonable to assume that some of the decisions will result in selection of less expensive options.

. Test and Evaluation Funds - The funding for a particular year may include extensive Test and Evaluation funding. It is necessary to plan for possible delays and rework. However, if the program goes as scheduled, the additional dollars programmed for Test and Evaluation will not be required.

FIRST QUARTER PERFORMANCE

- ON GOING CONTRACTS
- NEW STARTS

- First Quarter Performance (See p. 5)

The program requirements track very well against released dollars during the First Quarter of the year. Here are two reasons for why this happens:

- On-Going Contracts - Most of the dollars spent during the first quarter involved incremental funding of contracts started in prior years. Therefore, there is good data available to forecast the monthly spending rates.
- New Starts - The cost data on new starts is sketchy so the tracking is mostly based on projections versus actual data.

SECOND QUARTER PERFORMANCE

- PESSIMISTIC ATTITUDE
- GOOD DATA ON NEW STARTS
- HOLIDAY SEASON

. Second Quarter Performance (See p. 5)

The program requirements go wild at the start of the Second Quarter. This phenomenon was noted every year. Here are a few of the reasons for this happening:

. Pessimistic Attitude - The Task Managers become pessimistic about their ability to do the technical effort with the funds available. Therefore, they start to build up management reserve to cover the anticipated increase in funding required for more TDY trips, supplies and equipment, computer time and testing to insure they can accomplish the technical goals.

. Good Data On New Starts - This is the time of the year that good data is first available for newly started contracts. It is a simple fact that few contracts go exactly as planned with no variances for the cost or schedule. Therefore, at this time, potential problems are identified and trade-off begins between cost and schedule.

. Christmas Holiday Season - The Christmas holiday season cuts into the productivity of any program and it seems it is never considered on any projection. The Program Manager sees the results of the Christmas holiday season in the Second Quarter. (Jan-Mar)

PROGRAM MANAGER'S OPTIONS

- DELAY NEW STARTS
- TIGHTER CONTROLS
- SLOW DOWN
- ASK FOR HELP

- Program Manager's Options

The Program Manager has many options available to bring the requirements back in line with the budget.

- Delay New Starts - It is critical that the all program schedules reflect the correct critical path. Any item not on the critical path is a candidate for a delayed start so that funds can be made available for projects in funding trouble. This is a viable option.
- Tighter Controls - The Program Manager can reduce TDY trips. The problem with this option is that it is essential that the project personnel maintain control of the contractual efforts. The gains accrued by cancellation of trips to contractor facilities could be several orders of magnitude less than the damage resulting from a breakdown in communication between the Government/Contractor Team.
- Slow Down On-Going Efforts - This is the most dangerous of the viable options and should only be used as a last resort. The contractor can respond but exercising this option will cost the program dearly. This action requires the negotiation of a new baseline and allows the contractor to "get well" if the contract is in trouble. Further, it takes time to regain the original pace once the funding crisis is past. Do not use this unless all other avenues have been exhausted.

• Ask For Help - The Program Manager should go forward to Command with a request for increased funding only if he is eligible to retire and he wants Command to support his retirement. This option is viable only after a catastrophic technical failure which threatens the heart of the technical effort.

REST OF THE YEAR

- REAPPEARING DOLLARS
- LOST OPPORTUNITY
- LOST DOLLARS

. The Rest of the Year

Somehow the Program Manager was always able to get the requirements back in line. This is a painful exercise and requires close support throughout the entire management structure. (See p 5)

. Reappearing Dollars - In the middle of the Fourth Quarter each of the Task Managers starts returning the management reserve and suddenly the Program Manager has a surplus of available dollars. To handle this dilemma the Program Manager must have earlier prepared a prioritized list of high priority items that he wants funded should funds be made available. There are several different ways to take advantage of end of year windfalls. The Program Manager must know what he can do with extra dollars, just as he must know what he cannot do.

. Lost Opportunity - The lost opportunity is the necessity to consider only those items which can be rapidly obligated. Had the Program Manager known about the extent of the windfall earlier in the year, he may well have constructed a totally different priority list to handle the windfall based on a longer period to obligate the dollars. There is a method of determining earlier in the FY the ballpark figure for the windfall. This method will be discussed later in this presentation.

. Lost Dollars - If the windfall is identified very late in the FY, the Program Manager may have to request Forward Financing. Command has the option of disapproving the request and retrieving the dollars for other requirements. There is certainly nothing wrong with returning dollars if all the scheduled technical effort has been completed. For this program there was always more critical technical effort scheduled than there were dollars available to do the effort. Further, if the Program Manager delayed the start of new multiyear efforts to accommodate the Second Quarter problem, the added dollars required to fund the additional effort delayed to the next year will have the effect of reducing the dollars available for other efforts during the next FY if the Forward Financing is not approved. Thus, the Program Manager will have, in effect, cut his own budget.

The challenge to the Program Manager is to control the deviations from the funding plan. This task is critical.

SECTION III

PROGRAM FUNDING STRUCTURE

- FINANCE INTERFACE
- ONE REPORTING SYSTEM
- BUDGET BREAKOUT

PROGRAM FUNDING STRUCTURE

- Finance Interface

The Program Office must work with the Finance Office to establish a cost tracking system that reports expenditures in a manner that meets the Program Office requirements. If the Program Office needs 15 cost codes, take the problem to the Finance Office personnel and work out the problems associated with getting 15 cost codes. The financial statement for the program must be in the most usable format possible. Higher headquarters invariably queries the Program Office for the latest cost data and allows very little response time. The Project Office must early on establish a cost tracking system that meets the Program Office needs. In addition, financial statements tend not to be as accurate as bank statements. The Project Office records may be better than the Finance Office records. It is, therefore, imperative that the Project Office establish a good working relationship with the Finance Office to insure differences can be rapidly and professionally resolved. It is critical that higher headquarter's decisions are based on the most correct cost data available.

- One Reporting System

Establish early in the program one cost reporting system for the whole world that is not overly demanding of the Program Office personnel and is useful to the Program Manager. This is important because the Program Manager must present his budget breakout to several

organizations. These organizations, Congress, DOD and users, seldom agree that the program is giving proper emphasis to the many critical issues. Because of this dilemma the Program Manager may be asked to formulate a different accounting system for each organization. Resist-Resist-Resist. For this program the Service and DDR&E had directed different summary categories of the individual work efforts with the following results. The Service system was established so that all efforts with a joint payoff of hardware and new technology were recorded under the heading of hardware. The DDR&E system was established so that all efforts with a joint payoff of hardware and new technology were recorded under the heading of technology. Thus, the same data base provided a totally different view of the relationship of hardware versus new technology. This type of development leads to Congress getting conflicting reports as to program emphasis. Everyone suffers in this scenario. The Program Manager must demand there be only one reporting system including all summary levels. It is one way to keep the story straight.

ARDO DEBTOR CODE LISTING

TASK	BRANCH	CONTACT	DESCRIPTION	FY77				FY78			
				ALL		ADV SPC		ADV DEV SPC		SPAT	
				DC	SPC	DC	SPC	DC	SPC	DC	SPC
1	ARPA		Program Mat/Support								
2	ALC		New Laser Concepts								
3			Project 2303								
4A	LRL		SDL Technology								
4B	LRL		SDL Alternate Device								
5A	ALE		EDL Technology								
5B	ALE		EDL Development								
6A	ALC		Chem Laser Technology								
6B			Project 2303								
6C			Project 2307								
6D			Chem Laser Development								
6E	ALC		Adv Beam Control Technology								
7	ALO		SLTDP (Beam Control)								
7A	LRE		Optical Comp Technology								
7B	LRE		Optical Comp Development								
7C	LAD		Propagation & Diagnostics								
7D	POY		Effects & Vulnerability								
7E	LRE		SOR Operations								
7F	LRL		ALL GOL Device								
7G	LRL		ALL Beam Control								
7H	LRL		Adv Pointing & Tracking								
7I	LRL		ALL Optical Integration								
7J	LRL		ALL Integ & Testing								
7K			GD III								
7L			GD III								
7M			GD III								
7N	PGO		SYS Studies & Applications								
7O	PGO		SRAT Sys Studies								
7P			SRAT Fire Control								
7Q	ALO		Optical Sys Technology								
7R	ALO		Optical Sys Development								
7S	LRE		ALL Diagnostics								
7T	LRE		SRAT Beam Control								
8A	ARPA	A7,A8									
8B	ARPA	1928, A13									
8C	ARPA	2761, A11									
8D	ARPA	2761, A12									

. Budget Breakout (See p. 22)

This is the actual form used by the Program. The first part of the form is self explanatory with the Task Number, Branch, Task Manager and Task Descriptions. The Debtor Code (DC) allows the Finance Office to charge all cost to the right task, thrust, and funding source except supply cost. The Supply Processing Code (SPC) takes care of the supply cost. 317J is the project number identified with the Advanced Development dollars and 3326 is the project number for the Exploratory Development dollars. The four major programs Airborne Laser Lab (ALL), Intermediate Range (INT RG), Advanced Development Support (ADV DEV SPO), and Short Range Applied Technology (SRAT) are listed at the top of the matrix. Thus, all expenditures are recorded by major subdivision, task and type of money. The Program Office has found that nearly all inquiries can be answered having the program expenditure broken out in this manner for this program. The task breakout is not based on dollar amounts. It is based on the technical effort associated with the task. Each Task Manager has been given the responsibility for a specific area of work and the appropriate manpower. In-house effort requires less funding but the relative importance is approximately equal for all tasks.

SECTION IV

FUNDS MANAGEMENT (BY TASK)

- SELLING THE PROGRAM
 - Manning
 - The First Requirement
 - Build On This Item
 - Watch Legislation
- BUDGET REVIEWS
- TASK BUDGET FORM
- MECHANICS
- FALLOUT

FUNDS MANAGEMENT (BY TASK)

. Selling the Program

Funds management in a large Program Office must be sold to the project people. It is a fact of life that the Technical Managers will not initially see the usefulness of funds management beyond the functional lines. They see the staff activity as a challenge to each Technical Manager's ability to manage cost and a poor use of critical manpower slots. This is especially true if the funds management section was formalized after the Program Office had been activated.

There is always a problem with the currency of the cost data from Finance. Most Technical Managers have had to rely on back of the envelope calculation for cost data when a Finance computer run had "garbage" or did not get done due to one of a million reasons. The normal financial reports are tied to the calendar and special provisions must be made to get an out of cycle run. The Technical Managers have no reason to believe that the funds management activity will provide timely, accurate support when a Technical Manager is in a crunch. Here are four things that will help sell the program:

- . Manning - The first thing to do if required to build a fund management activity is to hire a well qualified person from the Finance Office that will service the Program Office for one of the new positions. The problem of currency in the data can be solved with this approach as can many other problems.

• The First Requirement - Establish the most critical service that can be provided by the office for the Technical Managers. Set up a schedule when the service is expected. Finally, do everything possible to insure that this service provides the most accurate data possible.

• Build On This Item - Do not take on every task possible. The key to success is to build from a strong base of excellence. Start with a few items that are required and then expand only when none of the established support items will be hurt with the addition of a new service.

• Watch Legislation - Do not go to the Program Manager to force the Technical Managers to use the service. What will normally happen is that an aggressive manager will use the service and get recognition for the accuracy of the cost data. Once one gets "brownie points" as a result of getting good data, the rush will be on to use the service.

There is a way to check the feeling of utility for the funds management activity within the organization. To do this take the most important data item that is distributed on a regular basis to the Technical Managers and delay the distribution a couple of days. If several managers go to the Program Manager and tell him how terrible the activity is because of the tardiness of the data, the function is on its way. This is the best way to see if the data item is useful. The complaints are proof positive that the funds management activity is being accepted.

CONFIDENTIAL (When filled in)

ARTO MANAGEMENT REVIEW		F Y		PAGE OF		PAGES	
INSTRUCTIONS Enter under column heading LINE ITEM DESCRIPTION Title of Effort and Type (PR, Form 9, or Performing Agency, PO, PD, or MIPR), Period of Performance, Total Contract Amount by Fiscal Year, Other Fund Sources for Line Items, Additional Comments.							
TASK NO.	TASK TITLE	APPROVED TASK BUDGET		DATE			
FUND SOURCE/DC		REQUESTED TASK BUDGET		DATE			
LINE ITEM DESCRIPTION		APPROVED BUDGET (\$K)	REQUIRED BUDGET (\$K)	DOLLARS INIT (Left Division) (\$K)	DATE ACTION SCHED TO LEAVE ARTO	DOLLARS OBLIGATED (\$K)	COMMENTS
1							
2							
3							
4							
1							
2							
3							
4							
1							
2							
3							
4							
1							
2							
3							
4							
1							
2							
3							
4							
1							
2							
3							
4							

REPLACES AFWL FORM 99, APR 76, WHICH WILL BE USED.

AFWL FORM 99 MAR 77

- Budget Reviews

Do not mix reviews. Technical Reviews and Contract Reviews are essential as are Budget Reviews. Therefore, have only one purpose for a review. Budget Reviews may and should uncover technical issues but those issues should be resolved after the budget reviews in a separate session. It is important to maintain the flow of budget data and not to get bogged down in technical issues. Likewise, the review cannot stress contract issues. Contract Reviews stress contract performance against some plan while Budget Reviews cover the initiation, commitment, and obligation of dollars against the forecast. Budget Reviews lend themselves to a quarterly cycle, Contract Reviews should be monthly, and technical Reviews should be as required, thus, there is still another reason to clearly separate them.

- Task Budget Form (See pg. 27)

- The FY Indicated - Important because more than one FY will be active for review.
- Page No. - Our program has 100 plus pages active.
- Task Title - Self explanatory
- Task Title - Self explanatory
- Funding Source - Program/Project. This program has two Program Elements. It is imperative that the Program Manager know the status of each Program Element. Not only must the total program balance, each Program Element must balance at the end of the FY.

- Task Budget Request - What the Task Manager sees as being required. This represents the yearly requirement not just the next quarter.
- Task Budget Approved - What the Program Manager has released.
- Line Item Description - The line item should be the lowest possible, meaningful breakout which allows the review to be completed in a reasonable time. This program has 400 line items which are reviewed in three full days.
- Line Item Request and Approved Entries - What the Task Manager sees as being required for the year for that item and what the Program Manager is willing to release. The total of all the Line Items for a Task equals the Task Budget.
- Dollars Initiated, Date Action Scheduled to Leave ARTO, Dollars Obligated - These items combine to show how the procurement plan is being followed. Any slip in these dates flag potential fallout dollars as well as possible scheduling problems of overloading the procurement function if too many items are scheduled for the same period.
- Confidential Budgets - Our budget breakout is confidential. It was still possible to work with Finance to establish a system which was easy to operate and still provide protection of the classified data.

- Mechanics

This system works because of the openness of the information flow associated with the Budget Review. The process starts with the Fund Manager reviewing the Master Budget Copy - (only one master is allowed in the entire organization), the bible for funds management, with each Task Manager prior to the formal review and at this time the Funds Manager collects all the changes from the last approved budget that the Task Manager will be requesting. By combining all the task changes, the Funds Manager is able to establish the total program funding problem facing the Program Manager prior to the start of the review. Thus, the Program Manager has the "big picture" at the start. During the review, dollars are added or deleted based on overall program requirements. The last action is for the Program Manager to make the final cuts after all the tasks have been presented. The Funds Manager then revisits each Task Manager with the updated Master and they review all the final numbers so that each Task Manager knows what the approved Task Budget Number is as well as each line item. In addition, the Funds Manager writes a "Memo For The Record" on the discussion associated with the review. It is imperative that everyone works off the same set of numbers.

- Fallout

Earlier, it was noted that the Program Manager needed insight into the magnitude of the fallout dollars earlier in the FY. Here is one method to find these monies. When an action is scheduled to start at the end of the second month of the FY and has a \$100,000/month spending profile then \$1,000,000 should be required. If, however, this

action is three months late getting started, the Program Manager now has \$300,000 to spend elsewhere. With the many different actions, several hundred per year, it is impossible to track all these actions without a formal coordination between the procurement actions and funds release. Also, this establishes the procurement workload so that Procurement can determine potential workload peaks which could result in hazardous procurement end of year backlogs for the Program Manager.

SECTION V

SUMMARY

- STRONG FUNDS MANAGEMENT POSSIBLE
- FLEXIBILITY
- HAVE AN OPEN SYSTEM
- A WORTHWHILE ACTIVITY

SUMMARY

• Strong Funds Management Possible

The funds management for this program is unique as is the program. No doubt all programs have unique features. Albeit, program uniqueness does not relieve the Program Manager from the responsibility of controlling his funding resources. Every Program Manager is required to manage the program funds and sound funds management is possible regardless of the uniqueness of the program. The Program Manager must solicit aid from these best qualified when required and not try to do it alone. The Finance Community is an excellent starting point for anyone concerned with funds management. Remember, people must know and understand the problems before they can offer viable assistance.

• Flexibility

The Program Manager has much flexibility in arranging the program accounting structure. Early on, it is vital that all tracking and accounting procedure present a true picture of the program and relay accurate information. This may require a system be designed for the program. Funds Management is extremely helpful when done correctly and a potential enemy if ignored. Once established, it is difficult to change the structure, so this function needs early attention. Keep it simple, straightforward, and meaningful to the program and do not accept the standard statement, "It can't be done that way." It probably can but no one has even tried it.

• Have An Open System

Keep all the internal managers informed on the status of funds. It is important that everyone responsible for funds knows exactly how

the funding is going. The feedback on funding decisions will greatly increase the effectiveness of funds management. It is not an easy task to allocate exactly the right funding level to each task. By keeping everyone informed and having an agreed record of the allocated resources, it is much easier for all levels of management to work together in supporting the program objectives.

. Funds Management - A Worthwhile Activity

The Program Manager cannot delegate the responsibility for funds management. There are many such areas for which the Program Manager is responsible. Few, however, are more critical to the Program Manager and the program. Failure to provide strong funds management has resulted in several managers being fired. Funds management is not an impossible dream. It can be accomplished for any program but it does not just happen. It is the result of hardwork from the Program Manager and the Project Office personnel and provides great satisfaction to all involved when properly executed.